

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY)	
)	
Annual formula rate update and revenue requirement)	Docket No. 15-0287
reconciliation under Section 16-108.5 of the)	
Public Utilities Act.)	

**BRIEF ON EXCEPTIONS OF
THE PEOPLE OF THE STATE OF ILLINOIS AND THE CITY OF CHICAGO**

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The People of the State of Illinois (“AG” or “the People”), by Lisa Madigan, Attorney General of the State of Illinois, and the City of Chicago (“City”), pursuant to the schedule set by the Administrative Law Judge and Section 200.830 of the Illinois Commerce Commission’s (“the Commission” or “ICC”) Rules of Practice, 83 Ill. Admin. Code § 200.830, hereby jointly file their Brief on Exceptions (“BOE”) in this proceeding relating to the electric delivery service annual formula rate update filed by Commonwealth Edison Company (“ComEd” or the “Company”), which will (i) set an Initial Rate Year revenue requirement for 2016 and (ii) reconcile the 2014 Reconciliation Year revenue requirement against what was initially authorized for 2014 in Docket No. 13-0318. This AG/City Brief on Exceptions responds to the Administrative Law Judges’ Proposed Order (“PO”) dated October 19, 2015.

I. Exception No. 1: The Proposed Order’s Conclusion Rejecting the AG/City Proposal to Remove ADIT Related to Bad Debt From ComEd’s Rate Base Should Be Rejected.

At pages 23-24, the Proposed Order rejects the AG/City argument that ADIT associated with bad debts should be removed from ComEd’s rate base. The Proposed Order’s conclusion is wrong in several respects and should be rejected.

Initially, the Proposed Order rejects the AG/City position because it supposedly is not consistent with how the Commission has treated the issue in past cases. PO at 23. The Proposed Order misstates prior Commission decisions, though the Proposed Order does not identify the past decisions on which it relies. As AG/City witness Michael L. Brosch testified, this specific issue has not been presented to the Commission in prior cases. Because in this case the Commission must appropriately balance ADIT components with the rate base treatment of corresponding asset/liability balances, this is an issue of first impression, and it should be evaluated on the merits.

Because the Proposed Order does not identify the past case or cases in which the Commission allegedly rejected removing ADIT associated with bad debts from ComEd's rate base, it fails to satisfy the statutory requirements to sustain its conclusion. If the Proposed order relies on ComEd witness Christine M. Brinkman's testimony in rebuttal that the AG presented testimony in Docket No. 11-0721 that contradicts Mr. Brosch's testimony in this case, its conclusion lacks adequate record support. *See* ComEd Ex. 8.0R at 21:444-447, 23:476-493. Mr. Brosch explained that Ms. Brinkman's interpretations of the Commission's Order and of the AG's position in Docket No. 11-0721 are in error.

In Docket No. 11-0721, AG/AARP witness David J. Effron recommended that ComEd's proposal to include in rate base 100% of its ADIT related to bad debt be rejected. Mr. Effron added: "These ADIT are directly related to bad debt expenses. The ADIT should follow the allocation of bad debt expenses. Less than 100% of bad debt expense is allocated to the jurisdictional revenue requirement, and less than 100% of the ADIT on the Accumulated

Provision for bad debt should be allocated to the jurisdictional rate base.”¹ The Commission adopted Mr. Effron’s proposal in the earlier case, finding that ComEd presented “no facts establishing that 100% of ADIT that is related to bad debt expense should be allocated to distribution services.” Docket No. 11-0721, Final Order, May 29, 2012, at 62.

Clearly, Mr. Effron’s testimony in the prior case focused on a question of jurisdictional allocation -- viz., whether, as ComEd recommended, 100% of bad debt expense and ADIT balances should be allocated to distribution services. As Mr. Brosch explained, Mr. Effron did not present testimony in Docket No. 11-0721 regarding “ComEd’s Cash Working Capital lead-lag study,” nor was he “familiar with whether ComEd’s Accounts Receivables or the corresponding offset for Accumulated Provision for Uncollectibles were included in rate base.” AG/City Ex. 3.0 at 7:138-140. Rather, in that case, Mr. Brosch testified regarding the accounting treatment of bad debt. Had the position Mr. Brosch’s testimony supported in Docket No. 11-0721 been adopted, ComEd’s Accumulated Provision for Uncollectibles would have been considered in determining the utility’s rate base. Such a matching of ADIT with the associated asset/liability balances is exactly the treatment AG/City are proposing in this case. *Id.* at 8:143-146.

In his Rebuttal Testimony in this case, Mr. Brosch observed that in the earlier case, he recommended that ComEd’s uncollectibles be accounted for in the Company’s lead-lag study. *Id.* at 8:152-156. Mr. Brosch’s proposed adjustment in Docket No. 11-0721 would have had the same effect as his proposal in this case – ComEd’s uncollectibles would be accounted for in determining the utility’s rate case. The Commission erroneously rejected Mr. Brosch’s proposed

¹ AG/City Ex. 3.0 at 7:130-134, *quoting* Docket No. 11-0721, AG/AARP Exhibit 2.0 (Revised) at 4:86-90, available at: <http://www.icc.illinois.gov/downloads/public/edocket/310394.pdf>.

lead-lag study adjustment in Docket No. 11-0721. Docket No. 11-0721, Final Order, May 29, 2012, at 41. As a result, the Company's Accumulated Provision for Uncollectibles balance was not accounted for in the rate base established in that proceeding. Consistent with the Commission's rejection of a lead-lag study adjustment, Mr. Brosch proposed in this case that the Commission take account of ComEd's uncollectibles in determining its rate base, by removing the ADIT related to uncollectibles.

In any event, the Proposed Order's conclusion with respect to prior Commission decisions is of no moment, because the Commission addressed a different question in the prior case. The Proposed Order's conclusion perpetuates the error made in Docket No. 11-0721 – ComEd's rate base would not be adjusted to account for the Accumulated Provision for Uncollectibles.

As Mr. Brosch stated, the Commission now has an opportunity to “correct[] the failure to treat Account 144, the Accumulated Provision for Uncollectibles balance and its related ADIT balance consistently” by recognizing that its Final Order in Docket No. 11-0721 did not include in rate base the credit balance Account 144, the Accumulated Provision for Uncollectibles to reduce cash working capital and, therefore, the rate base should not include the related ADIT balance. AG/City Ex. 3.0 at 9-10:186-189.

Next, the Proposed Order asserts that “[w]hether and how a particular form of ADIT is reflected in rates is not an abstract question, or one dictated by generic book accounting principles.” PO at 23. The evidence presented by the AG/City witness Brosch is not abstract, but shows clearly that the specific accrual accounting procedures required for bad debts create **both** debit tax prepayments and an offsetting credit, delayed expense cash flow impact. In other words, contrary to the Proposed Order's claim, ComEd is not making a “tax prepayment”

“funded by ratepayers.” The Proposed Order seems to accept the unproven premise that ComEd’s act of recording bad debt related ADIT creates a requirement for cash that ComEd is assumed to have prepaid as taxes, while the balancing recording of estimated future bad debts within Account 144 is treated according to the inconsistent assumption that it is not a source of cash flow from customers.

The evidence is undisputed that bad debts are “booked” prior to their recovery from ratepayers in a reserve account captioned Account 144 Accumulated Provision for Uncollectibles. Mr. Brosch explained that Account 144 is a credit balance that could be included as a reduction to rate base that would offset the related ADIT balance if recognized. AG/City Ex. 3.0 at 10:203. Mr. Brosch explained how the Commission’s disposition of lead-lag study issues, approving ComEd’s proposal in Docket No. 11-0721 to **not** recognize the uncollectibles reserve account, now requires a consistency adjustment to fully exclude from rate base the corresponding debit ADIT balance. *Id.* at 9:171-186.

The Proposed Order also asserts that AG/City’s argument “that the book entries in Account 144 must be ‘offset’ against that balance ... is a formalistic argument.” PO at 23. The AG/City position is far more than a formalistic argument. There is considerable detail in the record regarding bad debt-related ADIT accounting. ComEd disputed the fundamental matching principle that is generally employed by the Company to determine the jurisdictional treatment of dozens of ADIT components in the Company’s filing -- consistent rate base treatment of corresponding assets and liabilities. *See* ComEd Ex. 2.02 at pages 26-29.

Moreover, on cross-examination, Ms. Brinkman admitted that in her testimony in ComEd’s last formula rate update case, Docket No. 14-0312, she supported that same accounting principle, which Mr. Brosch advocates here. In particular, Ms. Brinkman testified in Docket No.

14-0312 that if ADIT related to the reconciliation balance is included in rate base, then the related asset or liability should also be included in rate base. Tr. at 49:1-21. This “matching” or “following” is precisely what Mr. Brosch recommends in this case.

Finally, the Proposed Order “rejects the argument that ComEd will recover the cost of its tax prepayment through its uncollectibles recovery rider.” PO at 24. It is not clear what the Proposed Order is referring to in that statement; AG/City did not make that argument. In any case, the asserted “tax prepayment” (which in fact is not made when booked) is offset by the credit balance within Account 144 Accumulated Provision for Uncollectibles. ComEd has not included Account 144 in rate base nor accounted for the cash flow impacts of such balances within Rider UF. The Proposed Order should require the balanced treatment of all cash flows arising from accrual basis accounting for bad debts, either (a) including in rate base both the advance accrual of expenses within Account 144 and any advance payment of income taxes arising from such accruals or (b) excluding both amounts. This balanced treatment is precisely what is advocated by AG/City in this BOE and in earlier briefs.

Proposed Language:

For the reasons stated above, the Commission Analysis and Conclusion section at pages 23-24 of the Proposed Order should be deleted in its entirety. The following language should be inserted in its place.

The Commission adopts AG/City witness Brosch’s recommendation that ComEd’s ADIT related to bad debt should be removed from the utility’s rate base. ComEd did not meet its burden of proof to show that an accurate and reasonable determination of ComEd’s rate base allows ADIT related to bad debts to increase rate base by \$18.5 million when (a) the Company

cannot show that the directly-related Accumulated Provision for Uncollectible Accounts – an offsetting liability account that reduces rate base – is also included in that rate base determination, and (b) the Commission has found (as advocated by ComEd) that the Accumulated Provision for Uncollectible Accounts is not reasonably considered within ComEd’s lead-lag study.

The Commission rejects ComEd’s request that it treat ADIT related to bad debts consistent with its Order in Docket No. 11-0721. The issue presented in the prior case is not the same as the issue presented here. In that prior case, the Commission allowed rate base inclusion of a jurisdictionally allocated portion of the ADIT related to bad debts. In Docket 11-0721, ComEd proposed to include **100%** of ADIT related to bad debt in rate base. AG/City Ex. 3.0 at 7:128-129. As Mr. Brosch explained in this case, AG/AARP witness David J. Effron testified in Docket 11-0721 that ComEd’s proposal was improper because “[l]ess than 100 percent of bad debt expense is allocated to the jurisdictional revenue requirement, and less than 100% of the ADIT on the Accumulated Provision for bad debt should be allocated to the jurisdictional rate base.” AG/City Ex. 3.0 at 7:130-134. The Commission agreed with Mr. Effron’s proposal, permitting only a portion of ADIT related to bad debts in rate base. That decision confirmed a relationship between jurisdictional bad debts expense and the related ADIT, without making any determination regarding the need to consistently either include or exclude the offsetting balance sheet (ADIT/asset and Accumulated Provision for bad debts/liability) accounts in rate base determinations.

The Commission also rejects ComEd’s complaint that the AG, inconsistently with its position in the prior case, now suggests that the Commission completely exclude this deferred tax asset from rate base. The more accurate description of the AG/City proposal is to remove the **remaining** portion of the ADIT related to bad debts that was not previously excluded in Docket No. 11-0721. As Mr. Brosch explained, in Docket No. 11-0721, Mr. Effron was not assigned responsibility for review of ComEd’s Cash Working Capital lead-lag study. As a result, he did not need to consider and was not familiar with whether ComEd’s Accounts Receivables or the corresponding offset for Accumulated Provision for Uncollectibles were included in rate base. This occurred because the responsibility for review of ComEd’s Cash Working Capital in Docket No. 11-0721 was with Mr. Brosch, not Mr. Effron. Accordingly, Mr. Effron did not propose a more inclusive rate base adjustment, as he was not aware that ComEd did not account for

the Accumulated Provision for Uncollectibles in rate base in Docket No. 11-0721. AG/City Ex. 3.0 at 8:142.

However, the issue was not ignored by the AG in Docket No. 11-0721: Mr. Brosch proposed modifications to ComEd's lead-lag study that would have accounted for the impact of uncollectible accounts upon the Company's Accounts Receivables. Mr. Brosch's proposal would have achieved precisely the same result the AG advocates in this case. But, in that case, ComEd prevailed on this Cash Working Capital dispute. As a result, there was no rate base recognition of ComEd's Accumulated Provision for Uncollectible Accounts in Docket No. 11-0721, and ComEd's rate base calculations have failed to recognize the impact of Accumulated Provision for Uncollectible Accounts in subsequent formula rate update dockets, including the instant Docket No. 15-0287.

These historical facts are important. ADIT related to bad debts and the Company's Account 144 Accumulated Provision for bad debts are directly related to one another. It is fundamentally unfair to increase rate base for ADIT related to bad debts when the associated accounting reserve balance arising from accrual-basis accounting for bad debts is not included to reduce rate base. On cross-examination, ComEd witness Christine M. Brinkman conceded that in ComEd's last formula rate update case, Docket No. 14-0312, she supported the accounting principle that Mr. Brosch advocates here. In particular, Ms. Brinkman testified in Docket No. 14-0312 that if ADIT related to the reconciliation balance is included in rate base, then the related asset or liability should also be included in rate base. Tr. at 49:1-21. This "matching" or "following" is precisely what Mr. Brosch recommends in this case. That is, if, as ComEd recommends, ADIT debit balance related to bad debt is included in rate base, then the related asset or liability, in this instance, the Account 144 Accumulated Provision for Uncollectibles credit balance must also be included in rate base.

The Commission rejects ComEd's claim that the Company has effectively pre-paid the taxes on collection and that it will not receive the corresponding tax benefit until later. The Commission notes that this argument was not raised until ComEd's surrebuttal case and Mr. Brosch (nor any other witness) had an opportunity to respond to this point that.

The Commission declines to accept ComEd's tardy and inconsistent "prepayment" arguments. This new argument to support ComEd's direct testimony proposal to "un-match"

offsetting rate base elements was first made after the direct and rebuttal testimony phases, when no party could respond. Moreover, the argument is inconsistent with ComEd's consistent denial of a relationship to cash flow accounting. Indeed, at ComEd's urging, the Commission ruled that the timing of uncollectible collections and the corresponding Account 144 Accumulated Provision for Uncollectibles liability account should **not** be considered within lead-lag studies. This particular cash flow argument was raised outside the context of ComEd's lead-lag study, which does not account for the alleged effect ComEd relies upon. It is disingenuous for ComEd to raise in surrebuttal testimony cash flow timing issues arising from bad debt accounting in response to testimony on ComEd's failure to match offsetting elements of its rate base determination.

The Commission agrees agree with ComEd that "no one can dispute that this deferred tax asset exists." Indeed, ComEd's Ex. 9.02 at 11 (WP 4) shows that many Account 190 deferred tax assets exist, including the "Provision for Bad Debt" amount shown at line 8. Some of the deferred tax assets listed on pages 11 and 12 of ComEd Ex. 9.02 are partially included in rate base (column G) based upon use of an "Allocator" in column F, while others are treated as "Non DST". The "dispute" with respect to ADIT related to bad debts (found on line 8) is whether the balance should be allowed to increase rate base, or instead be treated as-non DST. Ms. Brinkman admitted certain highly relevant facts that support Commission adoption of the AG/City position that ADIT related to bad debts be excluded from rate base when the matching offset is excluded:

1. ComEd does not make a simple exclusion from rate base for the accumulated provision for Uncollectibles in Account 144 in its formula rate template. Tr. at 57.
2. Ms. Brinkman believes that Account 144 has not been included directly in rate base because, "that account should be considered in the cash working capital calculation – within the cash working capital calculation collection lag." Tr. at 66.
3. Consistent with its winning argument in Docket No. 11-0721, ComEd has not accounted for the Accumulated Provision for Uncollectibles liability in its lead-lag study.

ComEd has shown no reasonable basis for rate base inclusion of the ADIT deferred tax asset balance that is related to the Accumulated Provision for Uncollectibles, but unmatched in rate base by its related offset. The effect of ComEd's position is

that ComEd's rate base would be overstated, and the utility would earn on more than its actual, prudently incurred, and used and useful investment for providing service to public utility customers.

In conclusion, the Commission adopts Mr. Brosch's recommendation regarding rate base exclusion of ADIT for bad debt that ComEd has included, which results in rate base being overstated by around \$18.5 million. To reflect Mr. Brosch's proposal to remove ADIT associated with bad debts from rate base, the Commission adopts the AG/City's recommendation that ComEd's 2014 Reconciliation Year revenue requirement (with interest) be reduced by \$2,117,000 and its 2016 Initial Rate Year revenue requirement be reduced by \$1,848,000, for a total reduction to 2016 net revenue of \$3,965,000. AG/City Ex. 1.3 at 1.

II. Exception No. 2: The Proposed Order's Conclusion Regarding Recovery of Exelon-Pepco Merger Integration Costs Should Be Modified To Acknowledge Recent Procedural Developments In The District of Columbia Public Service Commission.

The People and the City generally support the Proposed Order's Commission Analysis and Conclusion section regarding the recovery of merger integration costs related to the proposed merger of Exelon Corporation ("Exelon") and Pepco Holdings, Inc. ("PHI") that were incurred in 2014 and allocated to ComEd, an amount totaling approximately \$3.8 million. In light of the District of Columbia Public Service Commission's ("DC Commission") August 25, 2015 decision to deny the merger application in that jurisdiction of Exelon and PHI, AG/City's expert witness Michael L. Brosch opined in his supplemental direct testimony, AG/City Exhibit 4.0 *et seq.*, that under the ICC's recent standard for allowing recovery of merger integration costs, the DC Commission's August decision makes the consummation of the proposed merger and thus the realization of any net savings from the merger unlikely, rendering the 2014 merger integration expenses non-recoverable. Following a proposal made by ComEd witness Brinkman during the August 27, 2015 evidentiary hearing (Tr. at 28:1-7), AG/City and ComEd generally

agreed in briefing that the 2014 merger integration cost should be recoverable only if ComEd can show by December 2, 2015 that the proposed merger closed by December 1, 2015. The Proposed Order hewed closely to this agreed arrangement. PO at 35-36.

Following the filing of Reply Briefs in this proceeding on September 16, 2015, Exelon and PHI timely filed an application for reconsideration² in the DC Commission on September 28, 2015, followed by a motion³ on September 30, 2015 to stay proceedings in response to the reconsideration application, followed by a motion⁴ on October 6, 2015 to re-open the record to consider a settlement agreement. Following this series of motions from Exelon and PHI, the DC Commission ruled⁵ on October 8, 2015 that the filing of responses to the application for reconsideration shall be stayed until it rules on the motion to re-open the record, and it further ruled⁶ on October 26, 2015 that the deadline for action on the merits of the application for reconsideration shall be tolled until it rules on the settlement agreement. As of the date of this BOE, October 27, 2015, the DC Commission had not yet ruled on the motion to re-open the record. In light of these procedural developments in the other jurisdiction, the PO's Commission Analysis and Conclusion analysis should be slightly modified to acknowledge the delay of the

² *Joint Applicants' Application for Reconsideration of Commission Order No. 17947*, DC Commission Formal Case No. 1119, September 28, 2015, available at: http://www.dcpSC.org/edocket/docketsheets_pdf_FS.asp?caseno=FC1119&docketno=949&flag=D&show_result=Y.

³ *Joint Motion Of The District of Columbia Government and Joint Applicants for A Stay Or, In The Alternative, For An Extension Of Time To Respond To The Application For Reconsideration Of Order No. 17947*, DC Commission Formal Case No. 1119, September 30, 2015, available at: http://www.dcpSC.org/edocket/docketsheets_pdf_FS.asp?caseno=FC1119&docketno=951&flag=D&show_result=Y.

⁴ *Joint Applicants' Motion to Reopen the Record to Allow for Consideration of Non-Unanimous Full Settlement Agreement and Stipulation, or for Other Alternative Relief*, DC Commission Formal Case No. 1119, October 6, 2015, available at: http://www.dcpSC.org/edocket/docketsheets_pdf_FS.asp?caseno=FC1119&docketno=959&flag=D&show_result=Y.

⁵ Order No. 18000, DC Commission Formal Case No. 1119, October 8, 2015, available at: http://www.dcpSC.org/edocket/docketsheets_pdf_FS.asp?caseno=FC1119&docketno=963&flag=C&show_result=Y.

⁶ Order No. 18009, DC Commission Formal Case No. 1119, October 26, 2015, available at: http://www.dcpSC.org/edocket/docketsheets_pdf_FS.asp?caseno=FC1119&docketno=978&flag=C&show_result=Y.

DC Commission's decision on the application for reconsideration beyond the ordinary 30-day deadline, which would normally be October 28, 2015 under D.C. Code § 34-604(b).

Proposed Language:

For the reasons stated above, the Commission Analysis and Conclusion section at pages 35-36 of the Proposed Order should be modified as follows:

The Commission notes that the AG, the City, and ComEd are all in agreement that the Commission should allow recovery of the 2014 integration costs for the Proposed Merger if – and only if – the merger closes by December 1, 2015. This arrangement can be adopted by the Commission only if consistent with the Commission's prior decisions on merger cost recovery, which required that cost savings from a merger be reasonably likely in order to make the related merger integration costs recoverable, and that customers be allocated savings reasonably proportional to the risks they face. See 2012 Rate Case Order at 79. The Commission cannot approve recovery of the 2014 merger integration costs if consummation of the proposed merger, and thus realization of the related net savings, appears not reasonably likely.

The Commission takes administrative notice under Section 200.640(a)(7) of the Commission's Rules, 83 Ill. Admin. Code § 200.640(a)(7), that (i) the District of Columbia Public Service Commission ("DC Commission") denied the proposed merger in a written decision on August 27, 2015; (ii) Exelon and PHI filed an application for reconsideration on September 28, 2015; (iii) Exelon and PHI filed a motion to stay the reconsideration proceedings on September 30, 2015; (iv) Exelon and PHI filed a motion to re-open the record to consider a settlement agreement on October 6, 2015; and (v) the DC Commission issued orders on October 8, 2015 and October 26, 2015 staying the application for reconsideration timeline while it considered the motion to re-open the record.

Lack of approval of the merger by December 1, 2015 could mean that either: (1) ~~Exelon and PHI did not apply to the DC Commission within 30 days — by September 28, 2015 — for reconsideration; or (2)~~ Exelon and PHI timely applied to the DC Commission for reconsideration, but the DC Commission denied

the request ~~(or granted reconsideration and then affirmed the original decision) by late October of 2015, within 60 days after the original denial,~~ and Exelon and PHI then appealed to the DC Court of Appeals and the appeal was pending as of December 1, 2015; or (32) the DC Commission denied ~~thea~~ timely reconsideration request ~~(or granted reconsideration and then affirmed the original decision),~~ and Exelon and PHI then appealed to the DC Court of Appeal, which affirmed the DC Commission's decision by December 1, 2015; or (43) the DC Commission denied ~~thea~~ reconsideration request ~~(or granted reconsideration and then affirmed the original decision)~~ and then Exelon and PHI did not file an appeal in the DC Court of Appeals ~~as of~~by December 1, 2015 (although they would have 60 days from the DC Commission's denial of reconsideration in late October ~~or after~~ to file an appeal, pursuant to D.C. Code § 34-605); ~~or (4) the DC Commission did not act on the reconsideration request by December 1, 2015 because it stayed the request pending its consideration of a late-filed settlement agreement; or (5) the DC Commission granted the reconsideration request by December 1, 2015 but made no decision on the merits upon reconsideration by December 1, 2015.~~ The Commission finds, based on the evidence in the record, that under the ~~firstsecond-and-third~~ scenarios, approval of the merger would be impossible; and under ~~the-second and fourth-the other~~ scenarios, approval of the merger would not be reasonably likely because of the statutory standard in D.C. that creates a standard of deference to DC Commission factual findings on appellate review (D.C. Code § 34-606), coupled with (in scenarios (4) or (5)) the DC Commission's intent to make its August decision "forever." On the other hand, if the merger closed by December 1, 2015, then, according to evidence in the record, net cost savings are likely to be achieved.

Thus, the Commission finds that the test for cost recovery agreed to by AG/City and ComEd correctly applies the Commission's standard for recovery of merger integration costs.

The Commission will allow recovery of the 2014 Exelon/PHI integration costs, which contribute approximately \$4.4 million (including interest on the reconciliation balance) to the 2014 Reconciliation Year revenue requirement and approximately \$3.8 million to the 2016 Initial Rate Year revenue requirement, if and only if it has received a certification from ComEd on e-Docket by December 2, 2015 stating that the Exelon/PHI merger "closed" by December 1, 2015. The certification must be accompanied by some definitive documentation, such as a Form 8-K filed with the

SEC, that is capable of being administratively noticed pursuant to Section 200.640(a)(7) of the Commission's Rules, 83 Ill. Admin. Code § 200.640(a)(7).

Furthermore, because ComEd (did / did not) file such certification on e-Docket by December 2, 2015, which (filing / omission) the Commission hereby takes administrative notice of under Section 200.640(a)(7) of the Commission's Rules, recovery of the 2014 merger integration costs (are / are not) allowed, because the evidence shows that (approval of the merger makes the realization of net savings reasonably likely / lack of approval of the merger makes the realization of net savings not reasonably likely).

Alternative 1. The Commission finds that the merger closed on or prior to December 1, 2015, and it is undisputed that these costs are prudently incurred and reasonable in amount. The Commission approves this merger expense amount.

Alternative 2. The Commission finds that the merger has not closed on or prior to December 1, 2015. In order to limit the issues in this case, and without waiving its right to contest other proposed disallowances based on similar arguments in this case, or disallowances based on this or similar arguments in any other proceeding, ComEd has voluntarily withdrawn these costs.

III. Conclusion

For the reasons stated herein, the People of the State of Illinois and the City of Chicago respectfully request that the Proposed Order be modified and the Commission enter a final order consistent with the arguments included in this Brief on Exceptions.

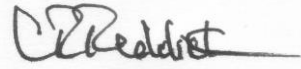
Respectfully submitted,

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